

Market Update

The robust start to 2014 of the stock market continued into February as all three indices continued to rise on positive news. Ending the month, the VNIndex and VN30 soared 5.73% and 6.26% to 586.48 and 663.8, respectively whilst the HNX jumped 11.99% to close at 83.12.

Despite Tet, Feb 2014 CPI was the lowest in the last 4 years

February's CPI edged up only 0.55% MoM which is the lowest monthly inflation for Tet months in the last ten years and the lowest MoM acceleration since 2009. Consequently, CPI hiked only 1.24% YTD and 4.65% YoY. Thanks to ample food supply and the government's strict price supervision, no price surge was observed during the Tet month. Indeed, food and foodstuff sub index which is the major component of CPI, grew only 1.15% MoM whilst other groups increased below 0.7% MoM or even declined. As inflation was low, the government now has more room for stimulation measures whilst still ensuring the whole year inflation target of 7% is within reach.

Circular 02 finally being relaxed as expected

According to the Governor, Circular 02 which requires banks to apply stricter rules for bad debt classification and make more risk provision for credit will be amended. Implementation of the clause that forces banks to move loans to Group 5 if the debtors have loans being classified as NPL at other banks, will be delayed. Moreover, overdue debts will not be moved to higher group if debt nature remains

good. The adjustments have eased a lot of pressure on banks as otherwise system-wide NPL level could be doubled to at least 15% according to a recent report by Moody's.

Trade surplus continues thanks to FDI sector

Though YTD registered FDI dropped 19.3% YoY to USD 830.8mn as at 20th Feb, FDI disbursement rose 6.7% YoY to USD 1.12bn. FDI continued to be the biggest contributor to the trade surplus. In fact, whilst the domestic sector caused a trade deficit of USD 1.9bn in 2M2014, the FDI sector recorded a surplus of USD 2.2bn, overturning the overall trade balance into a surplus of USD 244mn. YTD export soared 12.3% YoY to USD 21.1bn whilst import jumped up 17% YoY to reach USD 20.8bn.

Lending rate may fall further to support the recovery

According to Ms. Nguyen Thi Hong, Head of Monetary Policy Department, average lending rate may fall by 1-2% to stimulate the economy whilst ceiling deposit rate will likely be kept unchanged at current level of 7% p.a. As of 20th Feb, credit growth remained negative at -1.66% YTD whilst deposit growth advanced 0.83% YTD. With current ample liquidity in the banking system and CPI being low in 2M2014, macro conditions seem favorable for lowering lending rate further. As Circular 02 relaxation has eased some pressure on banks' profits this year, banks will now hopefully be more willing to reduce their lending rates.

More efforts of government needed as disbursement rate of the VND 30trillion package is slow

Disbursement progress of the VND 30trillion social housing stimulus package has been slow with only VND 535bn disbursed to developers and VND 534bn to buyers, equivalent to 3.56% of the package. In order to accelerate the disbursement progress, the Ministry of Construction is considering assisting buyers by extending the loan terms to 15 years from currently 10 years and raising the loan ratio for developers. Moreover, there may be some joint-stock banks that will be allowed to participate in the stimulus package to broaden the program's reach.

Our view

The market continued its strong upward momentum on several pieces of exciting news, including FOL proposal being submitted to the PM, Circular 02 being relaxed, and low CPI coupled with ample banking liquidity leaving room for further lowering of interest rates. The relaxation of Circular 02 probably saved the banking system from a severe shock that may cause losses or even collapse of some banks which do not have sufficient resources to handle a sharp rise in NPL. Though this also means banking reform would have to take a longer time, we think a more gradual approach to the strict international standard for the fragile banking system is crucial in order to maintain overall macro stability. In the meantime, economic activities continue to show signs of improvement as the PMI has been above the 50 mark for 6 months, the longest period in the survey history, implying a steady acceleration of manufacturing output. Hence we maintain our optimistic view about Vietnam's economic recovery, and will get our Funds fully invested.



Sector valuation

Industry group	Weight %	1M %	3M %	YTD %	2013 PE	2014 PE	2015 PE	2016 PE	2019 PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	5.3%	15.4%	16.2%	14.6	13.3	12.1	11.0	9.7	3.3	4.3	22.9	29.8	17.7	15.0	2.07
Automobiles & Components	0.9%	8.1%	19.6%	19.3%	10.6	10.7	9.0	7.5	5.5	2.2	2.2	19.0	19.7	13.2	8.2	0.4
Banks	22.3%	6.8%	8.8%	13.6%	16.9	14.2	12.9	12.0	13.0	1.5	5.7	10.8	40.1	16.1	11.1	10.3
Capital Goods	2.6%	5.9%	24.9%	20.4%	12.3	10.1	9.3	8.2	7.5	1.9	4.8	18.4	33.8	17.8	27.3	0.1
Commercial Services & Supplies	0.3%	1.7%	28.2%	13.7%	14.0	13.9	13.6	13.2	5.8	1.5	4.0	17.4	26.0	9.6	7.3	-0.1
Consumer Durables & Apparel	0.5%	-2.5%	20.2%	10.6%	8.8	7.2	7.0	7.8	5.2	1.0	6.5	59.4	11.9	6.8	4.9	0.3
Consumer Services	0.2%	6.1%	1.0%	0.8%	8.6	7.9	7.3	6.7	5.2	1.4	-	17.9	62.6	41.4	38.4	-0.3
Diversified Financials	1.9%	12.5%	38.9%	33.6%	15.7	13.9	12.5	11.5	9.4	1.5	4.7	11.1	63.2	57.7	57.0	-0.8
Energy	19.1%	8.4%	31.2%	27.4%	13.3	12.7	11.9	11.0	9.1	4.3	3.6	30.4	21.2	16.7	13.7	-0.2
Food, Beverage & Tobacco	22.1%	2.9%	8.1%	11.4%	17.8	17.0	15.3	13.2	9.8	6.1	2.5	32.1	32.8	19.5	17.3	-0.3
Household & Personal Products	0.5%	3.7%	14.6%	8.9%	8.3	8.2	7.2	6.7	7.5	1.1	5.1	14.0	26.4	9.9	8.8	0.2
Insurance	4.1%	3.2%	16.4%	23.1%	7.9	7.8	7.3	7.2	7.5	0.8	3.5	10.5	34.1	6.3	26.5	-1
Materials	6.0%	5.3%	16.8%	15.8%	9.4	9.0	8.8	9.3	9.7	2.1	6.4	24.3	23.5	16.1	14.1	0.1
Pharmaceuticals & Biotechnology	1.7%	1.1%	14.3%	8.6%	12.1	11.1	9.1	7.7	5.6	3.2	3.1	25.1	42.2	16.7	14.0	-0.2
Real Estate	12.2%	7.8%	18.7%	16.7%	25.0	23.3	18.5	16.2	11.2	1.4	7.4	6.2	39.7	28.9	16.5	0.8
Retailing	0.5%	9.3%	8.2%	7.3%	6.1	6.3	6.1	5.3	4.9	0.9	6.5	15.6	8.0	3.9	3.3	0.2
Software & Services	0.1%	17.5%	14.6%	15.7%	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.6%	15.1%	31.0%	34.4%	9.9	7.7	6.6	5.4	4.2	2.3	3.9	27.1	18.9	9.5	6.7	-0.1
Transportation	1.7%	6.7%	17.0%	12.9%	17.9	10.1	8.4	7.6	6.5	1.6	4.8	16.8	22.2	16.9	13.6	0.3
Utilities	1.8%	-2.3%	8.7%	4.6%	11.5	11.4	10.5	9.3	9.0	1.6	4.6	15.3	28.2	25.5	25.1	0.3

As at 28 Feb 2014

* Vietnam Market comprises of both the Ho Chi Minh Stock Exchange (HSX) and the Hanoi Stock Exchange (HNX).

*The Sector valuation table is generated by VAM in-house Company Analysis System - VCAS

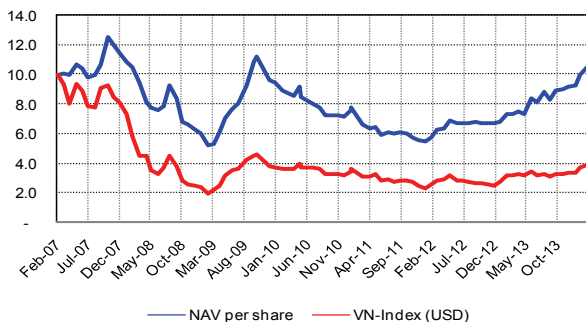
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$10.48
Feb-14	5.3%
YTD	13.2%
Since inception (Feb 07)	4.8%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
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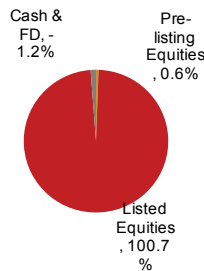
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end February, the Fund's NAV was \$10.48. With a 5.33% MoM increase, the fund was up 13.17% YTD, 4.8% since inception, the Fund continued to lead the VN-Index (US\$), recording outperformance of 0.21% MoM and 65.9% since inception.

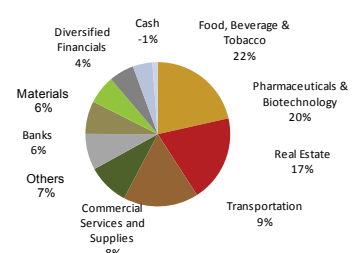
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown



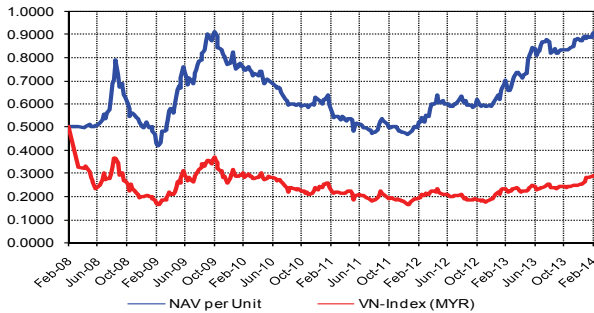
Hong Leong Vietnam Fund (HLGVF)

NAV per unit	RM 0.9036
	US\$ 0.2752
Feb-14	1.37%
YTD	3.48%
Since inception (Feb08)	80.7%
Bloomberg	HLGVIET:MK

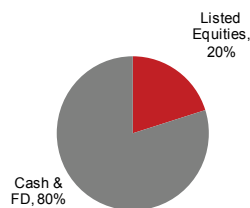
HLGVF is an actively-managed open-ended unit trust for Malaysian HNW investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end February, the Fund's NAV was RM 0.9036. With a 1.37% MoM increase, the Fund's NAV was up 3.48% YTD, 80.72% since inception, and outperformed the VN-Index (MYR) by 122.48% since inception.

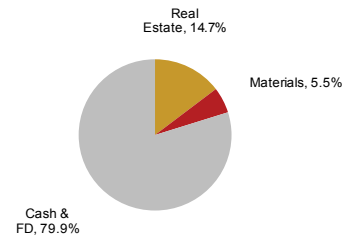
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown



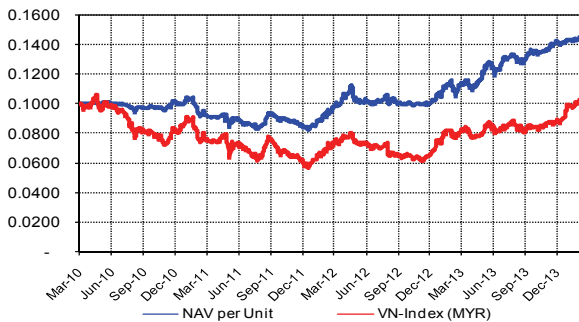
Hong Leong Vietnam Strategic Fund (HVSF)

NAV per unit	RM 0.1438
	US\$ 0.044
Feb-14	0.56%
YTD	2.49%
Since inception (Feb08)	43.80%

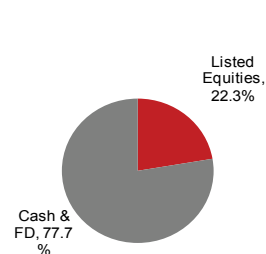
HVSF is an open-ended unit trust for Malaysian retail investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end February, the Fund's NAV was RM 0.1438. With a 0.56% MoM increase, the Fund's NAV was up 2.49% YTD and 43.8% since inception, and outperformed the VN-Index (MYR) by 41.71% since inception.

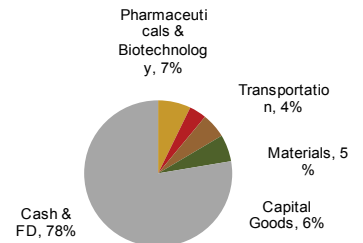
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



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